

Episcopal Diocese of New York

Narrative Budget for 2022

Date: September 29, 2021

From: The Rev. Matthew Hoxsie Mead, Chair of the Budget Committee

To: Convention of the Diocese of New York

CC: The Right Reverend Andrew M L Dietsche, Bishop of New York; The Right Reverend Allen K. Shin, Bishop Suffragan; The Right Reverend Mary D. Glasspool, Bishop Assistant; Council of the Diocese; Trustees of the Diocese; Ms. Esslie W. Hughes, Chief of Finance and Operations; Sr. Faith Margaret, CHS, Treasurer; Ms. Alice Yurke, Esq., Chancellor; Bishop's Senior Staff.

The Budget Narrative is divided into three parts:

- 1) Executive Summary of the Narrative Budget
- 2) Committee & Members
- 3) Resolutions of the Budget Committee

Executive Summary

The 2022 budget fully funds the mission of the Diocese of New York. The 2022 budget addresses the missional priorities of our diocese in 2022 and funds all normal staff, congregational, and ministry support, programming, and grants.

Last year, when we crafted the 2021 budget, we faced two major challenges. The first was the likelihood that many of our congregations would have trouble paying their normal apportioned shares. With the assistance of the Adjustment Board, we were able to plan for and budget significant apportioned share relief. Our second challenge was not knowing when and how pandemic related restrictions on in-person activities would wind down. The 2021 budget assumed limited or no in-person activities and travel for the majority of the year. The 2021 budget also temporarily deferred and cut where possible. Essentially that meant reducing the budget by about \$1.5M down from a normal year.

Our assumptions for 2021 were accurate: More than 90 congregations asked for and received adjustments of up to 25% for at least one quarter of 2021; and though it has been a bit slower than many hoped, in-person restrictions continue to be modified and lifted, most of our churches are open, and, though we are still not back to normal, many ministries and programs have resumed.

The 2022 budget assumes lesser forms of the same challenges. We now have the benefit of seeing which congregations requested adjustments, and can therefore project more accurately what our income will be. We also know that many ministries and programs that were on hiatus have resumed or plan to resume in the near future, either in-person or online. For 2022 we have

budgeted for improved-but-still-lower-than-normal apportioned share income, and we have budgeted for the full return of all diocesan ministries, programs, and congregational support.

The Adjustment Board does not plan on offering a blanket adjustment for every congregation as was done in 2020, nor do they plan to offer the nearly-blanket-apply-and-automatically-receive adjustment as was done in 2021. For 2022 any congregation that seeks an adjustment may appeal to the Adjustment Board and our budget assumes a number of congregations will seek adjustments.

An astute reader will perceive that we must have an income gap. Actually, our diocese has an income throttle – a canonical cap (Canon 17.3.4) that states: *If the Apportioned Share of any Congregation shall exceed 25% of the total budget of Diocesan expenditures in any one budget year, the excess shall be applied to the Diocesan General Endowment Fund.*

The cap is designed to do two things: 1) Ensure that no single congregation supports the bulk of the operating budget; and 2) grow the endowment by transferring the portion of any congregation's apportioned share that exceeds the set percentage of 25% of the total budget to the endowment. The intent was to limit occasional, excessive spending by transferring excess income to the endowment. Until 2016 the diocese rarely hit the cap, but we have hit it every year since 2016. Also, the endowment has been growing in other ways, such as when the diocese sells real estate and by the fact that we do not ever overdraw our endowment. The financial realities of the past few years have warped the original intent as the cap has become a throttle that depresses spending on mission and depletes our cash reserves so that the endowment can grow in a way that was not intended when the cap was established.

Balancing the budget for 2022 with the 25% cap in place requires cutting an addition \$600K in ministry and congregational support from the budget, all so that we can transfer money to the endowment. Last year's Budget Committee dealt with the same issue and recommended that the cap be examined and possibly modified in 2021. The Budget Committee is confident that the cap is going to present an increasing problem with our budget over the next several years (at least) if it remains at 25%. We recommend increasing it to 33% which would maintain the spirit of the cap, provide us with relief for 2022 and beyond, and give our diocese a few years to determine if the cap should be further modified.

Accordingly, the Budget Committee has proposed a resolution to Convention to change the cap defined by Canon 17.3.4 of the Diocesan Canons from 25% to 33%. A canonical change requires either the unanimous approval of Convention or a vote by orders (clergy and lay) with each order approving the change by 2/3 majority. Assuming this canonical change is made, we can un-throttle our income and fully fund the mission of the diocese in 2022 and beyond.

The budget spreadsheet includes the 2020 Budget, the 2021 Budget, and the 2022 Proposed Budget – for the purposes of comparison, it is helpful to assume that the 2020 Budget is a “normal year”. Below are highlights of income and disbursements.

Income Highlights

Income from Apportioned Shares is projected for 2022 to be down from a normal year (see 2020) due to projected adjustments and non/under payment. Our projection for 2022 is based on looking at every congregation's current and recent payment patterns, including the many congregations that received adjustments of up to 25% in 2022. Overall, we project about \$2.09M in Projected Bad Debt (aka Underpayment) & Projected Adjustments (Line 004). This is in addition to more than \$140K in already agreed upon adjustments for 2021 (Line 002). This totals \$2.23M in adjustments or unpaid apportioned shares. For context, this falls somewhere between 2020 (a normal year) and 2021 (not a normal year). Net income from Apportioned Shares (Line 005) is projected to be \$11.19M which remains below a normal year.

Income from other sources is \$1.08M (Line 011), which is more than a normal year. This increase is due to the (assumed) canonical modification to Canon 17.3.4, increasing the cap from 25% to 33%, which will zero out the reduction seen in past years in Line 007. As we did in 2020 we have also budgeted a Contingency of 3% (Line 012) of our total income.

Total Income (Line 013) is projected to be \$11.9M which is in line with a normal year. We are as confident as we can be, based on what we know and the research we have done, that we are being neither overly conservative nor overly optimistic with our income projections.

Disbursement Highlights

In 2020 the Episcopal Church granted permission for any diocese to defer payments and invited appeals for 2020 and 2021. We requested a reduction of 25% of our 2021 Assessment to the Episcopal Church and deferred payment pending appeal – thus the 2021 Budget (Line 101) shows ONLY 75% of the full 2021 TEC Assessment. Our appeal was not granted, and we will pay our full Assessment for 2021 by year's end. Our Assessment to the Episcopal Church (Line 101) decreased by \$231K for 2022. The 2022 TEC Assessment is based on 2020 operating income, which was lower than the 2019 operating income. Our Assessment to Province II (Line 102) increased by about \$7K due to a change in the formula agreed upon by Province II.

Our reserve funding Deputies to General Convention and Provincial Synod (Line 203) is increased by \$15K to cover a depleted reserve after last General Convention.

Bishops' Shared Travel (Line 304) is increased to cover additional costs associated with General Convention. Bishop's Hospitality (Line 305) expenses are restored to normal.

Episcopal Support Staff (Section 400) and Staff Supporting Congregations and Diocesan Ministries (Section 500) are funded at normal levels.

All Strategic/Mission Settings (Section 600) supported by the diocese are funded at normal levels. Several lines were reorganized and renamed for clarity – lines 602a and 602b were split into other lines in Section 600. A new line Curacy Initiative (Line 605) will be overseen by the Transition Ministry Office and designated to help Priests newly ordained by the Diocese of New

York find curacies within our diocese. The line Episcopal Futures (Line 608) is broken out from Church Plants & Revitalization (Line 609), and represents the diocese's second, annual copayment to this program that is primarily funded by grants from The Lilly Endowment and Trinity Wall Street – over five years we receive \$1.1M in grants and contribute \$500K.

Diocesan Ministries and Outreach (Section 700) are funded at levels requested, or restored to normal 2020 levels, or kept flat from 2021. Social Concerns (Line 705) was increased from 2021 levels by \$12.1K to fund a request from the Reparations Committee for the annual Absalom Jones celebration.

Property Support Grants (Line 801) were increased by \$45K. Next Step Grants (Line 803) were not restored as the scope of the new line Curacy Initiative (Line 605) overlaps with the intent of these grants.

Administration (Line 901) includes the Finance, Operations, and Human Resources staff, as well as regular office and professional expenses. The Budget Committee intends to break this line up into smaller parts in 2022 for more clarity – we ran out of time in 2021. The Finance Committee will find an alternate funding source for Special Finance Committee Projects (Line 903).

Total Unallocated Cost for Mission (Section 910) was split from Diocesan Finance and Operations (Section 900). These Unallocated Costs for Mission affect many areas across the diocesan budget and should be understood as a shared cost of the entire diocese. Professional Expenses (Line 913) is increased to cover anticipated attorney's fees related to the Child Victims Act. Cathedral Cost Sharing & Rent (Line 915) remains at \$1 per a five-year agreement between the cathedral and the diocese. This agreement takes into account the unique relationship between the cathedral and the diocese which includes: 1) the cathedral's apportioned share which is calculated on the operating income of the Congregation of Saint Saviour and 2) the Diocese of New York utilizes a number of buildings owned and maintained by the Cathedral of St. John the Divine, including office and meeting spaces as well as a residence for Bishop Dietsche.

Property Management (Line 916) is increased to cover the maintenance and management costs of the various properties owned and maintained by the diocese – these properties include some “closed” church properties that cannot be sold and/or can be replanted.

The budget includes a Provision for Salary & Benefit Increase (Line 1000) for all personnel paid by the diocesan budget: 3% Salary and 5% Health Insurance / Medical increase. These cost-of-living increases are in line with the recommendations of the Human Resources Committee.

Summary

The assumed modification of Canon 17.3.4 allows us to propose a balanced budget that addresses the missional priorities of our diocese in 2022 and funds all normal staff, congregational, and ministry support, programming, and grants.

On a personal note, it is an honor to serve as Chair of the Budget Committee, and I am happy to present a budget that is driven by our shared commitment to mission in 2022. I am grateful for the support and oversight of Bishop Dietsche, his staff, in particular Esslie Hughes and Karin Almquist, our Treasurer Sr. Faith Margaret, CHS, John Trammell who is chair of the Finance Committee, and for the members of the Budget Committee.

The Budget Committee recommends approval of the 2022 Proposed Budget. The Proposed Budget was approved by Council on September 28, 2021.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew Hoxsie Mead". The signature is written in a cursive style with a large, looping initial "M".

The Rev. Matthew Hoxsie Mead
Chair of the Budget Committee

Committee Organization & Members

According to Canon 17 of the Canons of the Diocese of New York: “The Budget Committee shall consist of: a Chair of this Committee appointed by the Bishop, the Treasurer of the Diocese (ex officio), the Chief of Finance and Operations of the Diocese (ex officio), the Chair of the Finance Committee of the Trustees (ex officio), three (3) members of the Council of the Diocese appointed by the Bishop, two (2) members of the Trustees appointed by the Bishop, and others as appointed annually by the Bishop to this Committee.”

Chair & ex officio members

The Rev. Matthew H. Mead

Christ the Redeemer, Pelham
CHAIR, BUDGET COMMITTEE
Council, ex officio
matthew@christchurchpelham.org

Sr. Faith Margaret, C.H.S.

Community of the Holy Spirit, Manhattan
Treasurer
Ex officio on Budget Committee

Esslie W. Hughes

Chief of Finance and Operations
Ex officio on Budget Committee

John B. Trammell

St. James', Manhattan
Chair, Finance Committee
Trustee, Class of 2021 (1st term)
President, Diocesan Investment Trust

Members of Council

Earl K. D. Francis

St. Andrew's (Harlem), Manhattan
Leadership Development Committee
Council, Class of 2023 (2nd term)

The Rev. Kyle Martindale

St. Stephen's, Pearl River
Christian Formation Chair
Council, Class of 2023

The Rev. Lisa Mason

St. John's, Larchmont
Finance Committee
Council, Class of 2023

Peter Saros

Church-without-Walls, Bronx
Council, Class of 2021 (2nd term)

Members of the Trustees

Robert Cummings

St. Matthew's, Bedford
Co-Chair, Adjustment Board
Trustee, Class of 2022 (2nd term)

Susan Jansen

Christ's Church Rye
Chair, Investment Committee
Trustee, Class of 2022 (2nd term)

Gavin Leckie

Christ the Redeemer, Pelham
Diocesan Investment Trust Chair
Trustee, Class of 2023 (1st term)

Douglas Schimmel

Trinity Wall Street, Manhattan
Trustee, Class of 2021(1st term)

The Rev. Margaret (Peggy) Sullivan

St. Andrew's, Walden and St. Francis of
Assisi, Montgomery (retired)
Chair, Property Support Committee.
Trustee, Class of 2022 (1st term)

The Rev. Jennie Talley

St. John's (Wilmot), New Rochelle
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Chancellor & Staff Liaisons

Alice Yurke, Esq.

St. Bartholomew's, Manhattan
Chancellor

Karin M. Almquist

Controller
Ex officio on Budget Committee

The Rev. Canon Victor Conrado

Canon for Congregational Vitality and
Formation
Staff Liaison

Chontel L. Simmons

Director of Human Resources
Staff Liaison

The Rev. Lenore (Nora) Smith

Canon for Transition Ministry
Staff Liaison

Resolutions from the Budget Committee

BUDGET COMMITTEE RESOLUTIONS 1 AND 2

Proposer of Resolution: The Rev. Matthew Hoxsie Mead, Chair of the Budget Committee

Parish or Organization: Budget Committee of the Diocese of New York

Telephone and E-mail: 914-738-5515; matthew@christchurchpelham.org

Title of Resolution(s): Adopting the Proposed Budget.

Text of Resolution(s):

[1] Resolved: That the 2022 Apportioned Share Budget presented herewith be adopted; and be it further

[2] Resolved: That the Chief of Finance and Operations shall apportion in accordance with Sec. 2 and Sec. 3 of Canon 17, each congregation's share of the 2022 budget of \$11,918,217.

According to Canon 17, Sec. 5, this is to be paid by each congregation in four installments on the fifth day of January, April, July and October 2022.

Commentary on Resolution

These are the standard resolutions that accompany the Proposed Budget in the Calendar of Convention each year.

MODIFICATION OF DIOCESAN CANON 17.3.4

Proposer of Resolution: The Rev. Matthew Hoxsie Mead, Chair of the Budget Committee

Parish or Organization: Budget Committee of the Council of the Diocese

Telephone and E-mail: 914-738-5515; matthew@christchurchpelham.org

Title of Resolution: Modification of Diocesan Canon 17.3.4

Whereas, Canon 17.3.4 of the Canons of The Episcopal Diocese of the New York provides that if “the Apportioned Share of any Congregation shall exceed 25% of the total budget of Diocesan expenditures in any one budget year, the excess shall be applied to the Diocesan General Endowment Fund”; and

Whereas, the Budget Committee of the Council of the Diocese has approved a recommendation to the 245th Convention of The Episcopal Diocese of New York to modify such Diocesan Canon by deleting the reference to “25%” in the second line thereof and substituting “33%” in lieu thereof.

Text of the Resolution(s):

Resolved: that the 245th Convention of The Episcopal Diocese of New York amend Section 3.4 of Canon 17 of the Canons of The Episcopal Diocese of New York to read in its entirety as follows:

“If the Apportioned Share of any Congregation shall exceed 33% of the total budget of Diocesan expenditures in any one budget year, the excess shall be applied to the Diocesan General Endowment Fund.”

Explanation:

The Budget Committee of the Council of the Diocese has determined that it is in the best interests of the Diocese to increase the cap provided in Canon 17.3.4 of the Diocesan Canons from 25% to 33%.

The cap is designed to do two things: 1) Ensure that no single congregation supports the bulk of the operating budget; and 2) grow the endowment by transferring the portion of any congregation’s apportioned share that exceeds the set percentage of 25% of the total budget to the endowment. The intent was to limit excessive spending by transferring excess income to the endowment. The financial realities of the past few years have warped this original intent as the cap has become a weight that depresses spending on mission and depletes our cash reserves so that the endowment can grow.

An in-depth explanation for this proposed change is included in the Budget Narrative.